

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Calhoun County		County Calhoun	
Audit Date 12/31/04		Opinion Date 5/3/05		Date Accountant Report Submitted to State: 7/14/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

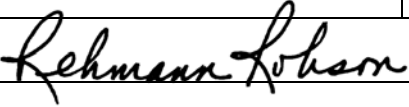
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations. (Submitted 7/14/05)	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU). (Submitted 7/14/05)	X		

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA				
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI	Zip 48605
Accountant Signature 				

# **CALHOUN COUNTY, MICHIGAN**



## **SINGLE AUDIT**

**For The Year Ended  
December 31, 2004**



**REHMANN ROBSON**

*Certified Public Accountants*

# CALHOUN COUNTY, MICHIGAN SINGLE AUDIT

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# CALHOUN COUNTY, MICHIGAN

## Schedule of Expenditures of Federal Awards Year Ended December 31, 2004

Federal Agency/Pass-Through Grantor/Program Title	Catalogue of Federal Domestic Assistance	Pass-Through Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through Michigan Department of Education:			
School Breakfast Program	10.553		\$ 18,075
National School Lunch Program	10.555		29,138
Total Michigan Department of Education			<u>47,213</u>
Passed through Michigan Department of Community Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		<u>470,335</u>
<b>Total U.S. Department of Agriculture</b>			<u><b>517,548</b></u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through the Michigan State Housing Development Authority:			
Community Development Block Grant	14.218	MSC-00-0774-HO	42,130
Passed through the City of Battle Creek:			
Community Development Block Grant - Nursing Clinic	14.218		<u>36,607</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u><b>78,737</b></u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Direct Programs:			
Community Policing Grants:			
COPS Technology Grant	16.710	2002CMWX0032	<u>77,029</u>
State Criminal Alien Assistance Program	16.606	2004-AP-BX-0417	<u>20,042</u>
Drug Court	16.585	2003-DC-BX-0077	<u>110,579</u>
Passed through Michigan Department of Community Health, Office of Drug Control -			
Bryne Memorial Formula Grant Program:			
Southwest Enforcement Team	16.579	70888-5-03-B	19,498
Southwest Enforcement Team	16.579	70888-	10,202
Calhoun County Drug Court	16.579	72079-2-03-B	65,345
Juvenile Justice Prosecution/Diversion	16.579	9XDBVX0026	70,308
Domestic Violence Media Campaign	16.579	9XDBVX0026	<u>32,135</u>
Total Michigan Department of Community Health			<u>197,488</u>
Passed through Michigan Family Independence Agency			
Juvenile Justice Accountability Block Grant	16.540	JAIBG-03-13001	16,808
Juvenile Justice Accountability Block Grant	16.540	JAIBG-04-13001	61,080
Juvenile Justice & Delinquency Prevention/Title V	16.548	431B3001910	<u>13,014</u>
Total Michigan Family Independence Agency			<u>90,902</u>

# CALHOUN COUNTY, MICHIGAN

## Schedule of Expenditures of Federal Awards Year Ended December 31, 2004

<b>Federal Agency/Pass-Through Grantor/Program Title</b>	<b>Catalogue of Federal Domestic Assistance</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF JUSTICE (Concluded)</b>			
Passed through Michigan Department of State Police:			
State Homeland Security Grant Program	16.007		\$ 92,780
State Homeland Security Grant Program Exercise Grant	16.007		14,761
Solution Area Planner	16.007		36,451
Total Michigan Department of State Police			<u>143,992</u>
<b>Total U.S. Department of Justice</b>			<u><b>640,032</b></u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed through Michigan Office of Highway Safety Planning - State and Community Highway Safety:			
You Drink, You Drive, You Lose	20.600	PT-04-06	4,699
You Drink, You Drive, You Lose	20.600	PT-05-28	152
Click It or Ticket	20.600	PT-04-06	10,978
Click It or Ticket	20.600	PT-05-28	<u>829</u>
<b>Total U.S. Department of Transportation</b>			<u><b>16,658</b></u>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
Passed through Michigan Department of State Police:			
Federal Emergency Management	83.552		<u><b>29,761</b></u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through Michigan Department of State Police:			
State Homeland Security Grant Program Part II Training	97.004		<u><b>49,949</b></u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct Program			
McKinley	93.224		<u>258,263</u>
Passed through Michigan Department of Community Health:			
Family Planning Services	93.217		18,763
HCAP	93.252		606,242
Childhood Immunization Grants - IAP	93.268		60,271
Childhood Immunization Grants - VFC Provider Visits	93.268		5,950
Federal Vaccine	93.268		526,593
Temporary Assistance for Needy Families	93.558		149,831

# CALHOUN COUNTY, MICHIGAN

## Schedule of Expenditures of Federal Awards Year Ended December 31, 2004

Federal Agency/Pass-Through Grantor/Program Title	Catalogue of Federal Domestic Assistance	Pass-Through Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Concluded)</b>			
Passed through Michigan Department of Community Health (Concluded):			
Medical Assistance Program Title XIX:	93.778		\$ 53,402
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919		55,804
Preventive Health and Health Services Block Grant:			
STD	93.991		17,660
Minority Health	93.991		50,555
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		266,164
AIDS/HIV Prevention Counseling & Testing	93.940		32,244
Maternal and Child Health Service Block Grant to States:			
Local MCH	93.994		106,314
Case Management Services	93.994		22,967
Lead Abatement Program	93.994		76,815
Total Michigan Department of Community Health			<u>2,049,575</u>
Passed through Michigan Family Independence Agency:			
Family Support Payments to States	93.560		292,462
Child Support Enforcement:			
Friend of the Court	93.563	CS/FOC-04-13001	1,455,183
Friend of the Court	93.563	CS/FOC-05-13001	473,246
Prosecuting Attorney	93.563	CS/PA-04-13002	233,138
Prosecuting Attorney	93.563	CS/PA-05-13002	80,365
Medical Support Payments	93.563	CS/MED-04-13001	60,817
Medical Support Payments	93.563	CS/MED-05-13001	23,378
Total Michigan Family Independence Agency			<u>2,618,589</u>
Total U.S. Department of Health and Human Services			<u>4,926,427</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 6,259,112</u></u>

# **CALHOUN COUNTY, MICHIGAN**

## **Notes to Schedule of Expenditures of Federal Awards**

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### **1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Calhoun County, Michigan (the “County”) and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

# CALHOUN COUNTY, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 2. FUNDS WITH OTHER YEAR ENDS

The expenditures of federal awards of the Health Department are presented in the accompanying schedule using its fiscal year end of September 30, 2004, and are as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	\$ 470,335
McKinley	93.224	258,263
Family Planning Services	93.217	18,763
HCAP	93.252	60,271
Childhood Immunization Grants – IAP	93.268	80,241
Childhood Immunization Grants – VFC Provider Visits	93.268	5,950
Federal Vaccines	93.268	526,593
Temporary Assistance for Needy Families	93.558	149,831
Medical Assistance Program Title XIX	93.778	53,402
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	55,804
Preventative Health and Health Services Block Grant: STD	93.991	17,660
Minority Health	93.991	50,555
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	266,164
AIDS/HIV Prevention Counseling & Testing	93.940	32,244
Maternal and Child Health Service Block Grant to States: Local MCH	93.994	106,314
Case Management Services	93.994	22,967
Lead Abatement Program	93.994	76,815

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**REHMANN ROBSON**

*Certified Public Accountants*

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 an independent member of  
**BAKER TILLY**  
INTERNATIONAL

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

May 3, 2005

To the Board of Commissioners  
of Calhoun County  
Marshall, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Calhoun County, Michigan* as of and for the year ended December 31, 2004, and have issued our report thereon dated May 3, 2005. We did not audit the financial statements of the Medical Care Facility and the Delinquent Tax Revolving Fund, which are major funds, and therefore, separate opinion units. Those financial statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for the Medical Care Facility and Delinquent Tax Revolving Fund is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Medical Care Facility were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Calhoun County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over compliance, financial reporting and/or operating efficiency that we have reported to management of Lenawee County in a separate letter dated March 11, 2005.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Calhoun County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, the Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

May 3, 2005

To the Board of Commissioners  
of Calhoun County  
Marshall, Michigan

**Compliance**

We have audited the compliance of *Calhoun County, Michigan* with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2004. *Calhoun County, Michigan's* major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of *Calhoun County, Michigan's* management. Our responsibility is to express an opinion on *Calhoun County, Michigan's* compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about *Calhoun County, Michigan's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on *Calhoun County, Michigan's* compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2004.

### **Internal Control Over Compliance**

The management of *Calhoun County, Michigan* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *Calhoun County, Michigan's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We did note other matters involving the internal control over compliance that we have reported to the management of *Calhoun County, Michigan* in a separate letter dated May 3, 2005.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Calhoun, County, Michigan* as of and for the year ended December 31, 2004, and have issued our report thereon dated May 3, 2005. We did not audit the financial statements of the Medical Care Facility and the Delinquent Tax Revolving Fund, which are major funds, and therefore, separate opinion units. Those financial statements were audited by other auditors whose reports were furnished to us. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, others within the organization, the Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

# CALHOUN COUNTY, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2004

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### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes    X no

Reportable condition(s) identified  
not considered to be material weaknesses?

\_\_\_\_\_ yes    X none reported

Noncompliance material to financial statements  
noted?

\_\_\_\_\_ yes    X no

#### Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes    X no

Reportable condition(s) identified  
not considered to be material weaknesses?

\_\_\_\_\_ yes    X none reported

Type of auditors' report issued on compliance  
for major programs:

Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)?

\_\_\_\_\_ yes    X no

# **CALHOUN COUNTY, MICHIGAN**

## **Schedule of Findings and Questioned Costs (Concluded)**

**For the Year Ended December 31, 2004**

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### **SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)**

Identification of major programs:

<b><u>CFDA Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
93.252	HCAP
93.560	Family Support Payments to States
93.563	Child Support Enforcement

Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   yes        no

### **SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reported.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported for either the current or prior year.



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



May 3, 2005

To the Board of Commissioners of the  
County of Calhoun  
Marshall, Michigan

We have audited the financial statements of the County of Calhoun for the year ended December 31, 2004, and have issued our report thereon dated May 3, 2005. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated January 12, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the County of Calhoun's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Calhoun's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Calhoun's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Calhoun's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County of Calhoun's compliance with those requirements.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Calhoun are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the County of Calhoun during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the liability for uninsured risks of loss, including incurred but not reported claims, which are accounted for in certain of the County's internal service funds. We relied upon the work of the County's third-party administrators for the estimated liability on reported claims and recalculated the estimated liability for incurred but not reported claims based on GASB Statement 10 (as amended by GASB Statement 30 and Interpretation 4).
- Management's estimate of the useful lives of depreciable capital assets in the governmental and business-type activities is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

**Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County of Calhoun's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the County of Calhoun, either individually or in the aggregate, indicate matters that could have a significant effect on the County of Calhoun's financial reporting process.

In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



**Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Calhoun’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

# **COUNTY OF CALHOUN**

## **Comments and Recommendations**

**For the Year Ended December 31, 2004**

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During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated May 3, 2005 on the financial statements of the County of Calhoun.

### **Credit Card Policy**

Certain County departments utilize credit cards to make purchases. However, the County has not adopted a credit card policy setting forth specified safeguards in accordance with the provisions of P.A. 266 of 1995 (MCL 129.241). We recommend that the County adopt such a policy.

### **Parks Fund Deficit**

The Parks Fund is operated by the Board of Parks Trustees, and continues to report a deficit fund balance. The fund is reported as a special revenue fund in the County's Comprehensive Annual Financial Report. The deficit reported at December 31, 2004 was \$65,579.

We recommend that the County work with the County Board of Park Trustees to determine ways of eliminating the deficit.

Also, during our audit, we have identified another matter for consideration by the County which is presented for informational purposes.

### **Centralized Cash Receipts**

In the area of cash receipts, we noted that several departments receive checks from the State, other governmental units, and from general accounts receivable directly at the department, and then remit them via a deposit advice to the County Treasurer along with other departmental receipts.

In order to enhance the internal controls in this area, we recommend that the County consider formulating a financial policy that would allow for collection of these checks by the County Treasurer directly. The County Treasurer could then make a copy of the remittance to send to the Department for their processing needs. This would also allow the checks to be deposited in the bank faster, thereby increasing the cash flow. This process could be started concurrently with the implementation of a new County receipting system planned for the future.

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